

# GSP3201 SUMMARY VERSION



## GSP3201 ENTREPRENEURIAL STUDIES

COMPOSED AND CONTRIBUTED BY:  
NATIONAL ASSOCIATION OF ENGLISH AND LITERARY STUDIES (NASELS  
2021 EXCOS), BAUCHI STATE UNIVERSITY, GADAU CHAPTER  
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| 1.  | An entrepreneur is a person who is <sup>1</sup> <b>action oriented</b> , <sup>2</sup> <b>highly motivated</b> , <sup>3</sup> <b>takes risks to achieve goals</b> .   |
| 2.  | An entrepreneur is a person who <b>establishes his own business with the intention of making profits</b> .   |
| 3.  | Four (4) key elements of entrepreneurs are: <ul style="list-style-type: none"> <li>a. <b>Vision</b> - identifying emerging opportunities</li> <li>b. <b>Innovation</b> - creating new business or new ways of doing something</li> <li>c. <b>Risk bearing</b> - taking risk and facing uncertainty</li> <li>d. <b>Organizing</b> - collection and coordination of the necessary resources</li> </ul>   |
| 4.  | <i>Entrepreneur</i> is a <b>person</b> while <i>entrepreneurship</i> is a <b>process</b> .<br>The term ' <i>entrepreneurship</i> ' refers to the <b>functions performed by an entrepreneur</b> .<br>It is the <b>process</b> involving various actions to be undertaken by the entrepreneur in establishing a new enterprise.  |
| 5.  | <b>Entrepreneurship</b> is a process undertaken by an entrepreneur to create incremental value and wealth by discovering investment opportunities, organizing enterprises, undertaking risks and economic uncertainty and there by contributing to economic growth.  |
| 6.  | Entrepreneurship can be described as a creative and innovative response to the environment and the process of giving birth to an enterprise. Such response can take place in any field of social endeavour, business, agriculture, education, social work etc.   |
| 7.  | <b>Entrepreneurship can be viewed as function of:</b> <ul style="list-style-type: none"> <li>a. Identifying and using the opportunities exist in the market</li> <li>b. Converting the ideas into action</li> <li>c. Undertaking promotional activities to launch an enterprise</li> <li>d. Striving for excellence in his/her field of work</li> <li>e. Bearing the risk and uncertainties involved, and</li> <li>f. Harmonizing</li> </ul> |
| 8.  | <b>IMPORTANCE OF ENTREPRENEURSHIP</b> <ul style="list-style-type: none"> <li>a. Helps the formation of capital by bringing together the savings and investment of people;</li> <li>b. Provides <b>large-scale employment opportunities</b> and <b>increases the purchasing power of the people</b>;</li> <li>c. Promotes balanced regional development in the country.</li> </ul>  |
| 9.  | <b>QUALITIES OF SUCCESSFUL ENTREPRENEUR</b> <ul style="list-style-type: none"> <li>1. Initiative</li> <li>2. Wide knowledge</li> <li>3. Willingness to Assume Risk</li> <li>4. Open mind and optimistic outlook</li> <li>5. Adaptability</li> <li>6. Self-confidence</li> <li>7. Leadership qualities</li> <li>8. Orientation towards hard work</li> </ul>   |
| 10. | <b>FUNCTIONS OF AN ENTREPRENEUR</b> <ul style="list-style-type: none"> <li>a. Conception of an Idea</li> <li>b. Promotion</li> <li>c. Innovation</li> <li>d. Bear of Risks and Uncertainty</li> <li>e. Arranging Necessary Capital</li> </ul>  |
| 11. | <b>TYPES OF ENTREPRENEURS</b> <ul style="list-style-type: none"> <li>a. <b>According to the type of business:</b> <ul style="list-style-type: none"> <li>i. Trading entrepreneur</li> </ul> </li> </ul>  |

- ii. Industrial entrepreneur
- iii. Agricultural entrepreneur
- iv. Service entrepreneur
- b. According to the use of technology:**
  - i. Technical entrepreneur
  - ii. Non-technical entrepreneur
- c. According the area:**
  - i. Urban entrepreneur
  - ii. Rural entrepreneur
- d. According to gender;**
  - i. Men entrepreneur
  - ii. Women entrepreneur

## 12. **ISSUES AND PROBLEMS FACED BY ENTREPRENEURS**

A business enterprise comes into existence due to the pioneering efforts of entrepreneurs. However, there are several issues and problems faced by entrepreneurs while giving shape to their idea. These are as follows:

- a. Selection of business** - an entrepreneur may conceive a number of ideas and identify many new business opportunities. In view of limited resources he may like to give shape to most the profitable one. The feasibility studies shall help him/her to identify the same. This systematic exercise is known as a 'feasibility study' and presented in the form of a report known as 'Feasibility Report' or 'Project Report'. Many financial institutions like ITF, NDE etc. are providing 'seed capital fund' or 'venture capital fund' for the financing of good entrepreneurial ventures.
- b. Choice of Form of Business Enterprise**
- c. Financing**
- d. Location**
- e. Size and the unit**
- f. Machines and equipment**
- g. Suitable Manpower**

## 13. **THE ENTREPRENEURIAL PROCESS**

The entrepreneurial process indicates that the decision becomes an entrepreneur and the development successful business ideas indicate that sometimes the opportunity to develop an idea may prompt a person to become an entrepreneur.

### **STEPS IN ENTREPRENEURIAL PROCESS**

Barringer and Ireland (2012) identified four steps involved in the entrepreneurial process:

#### 14. **Step 1: Decision to become and Entrepreneur**

- **To be their own boss**
- As a result of loss of job or unemployment, one may decide that the time is ripe to start one's own business.
- One may have money to start one's own business as a result of an inheritance.
- Lifestyle may also trigger entrepreneurial careers. For example, a woman may wait until her youngest child is in school before she decides to launch her own business venture

#### 15. **Step 2: Developing Successful Business Ideas**

- Developing a successful business idea includes opportunity recognition,
- feasibility analysis,
- writing a business plan,
- industry analysis, and
- The development of an effective business model.

#### 16. **Step 3: Moving from an Idea to an Entrepreneurial Firm**

Prepare a proper **ethical and legal** framework for the firm, including selecting an appropriate form of

business ownership.

**17. Step 4: Managing and Growing an Entrepreneurial Firm (FINAL/LAST STEP)**

**SIMILARITIES BETWEEN CORPORATE AND START-UP ENTREPRENEURSHIP**

**Morris, Kuratko and Covin (2011) made the following similarities/differences between corporate and start-up entrepreneurship**

- 18.**
1. They both involve opportunity recognition and definition.
  2. They both require a unique business concept that takes the form of a product, service, or process.
  3. They are both driven by an individual champion who works with a team to bring the concept to fruition.
  4. They both require that the entrepreneur be able to balance vision with management skill, passion with pragmatism, and pro-activities with patience.
  5. They both involve concepts that are most vulnerable in the formative stage, and that require adaptation overtime,
  6. They both entail a window of opportunity
  7. They are both predicated on value creation and accountability to a customer.
  8. They both find the entrepreneur encountering resistance and obstacles, necessitating both perseverance and an ability to formulate innovative solutions.
  9. They both entail risk and require risk management strategies.
  10. They both find the entrepreneur needing to developing creative strategies for leveraging resources.

**MAJOR DIFFERENCES BETWEEN CORPORATE AND START-UP ENTREPRENEURSHIP**

| <b>19.</b> | <b>S/N</b> | <b>START-UP ENTREPRENEURSHIP</b>              | <b>CORPORATE ENTREPRENEURSHIP</b>  |
|------------|------------|---|--|
|            | 1.         | Entrepreneur takes the risk                   | Company assumes the risks, other than career-related risk                  |
|            | 2.         | One misstep can mean failure                  | More room for errors, company can absorb failure                           |
|            | 3.         | Speed of decision making                      | Long approval cycles   |
|            | 4.         | Little security                               | Job security   |
|            | 5.         | Few people to talk to                         | Extensive network for bouncing around ideas                                |
|            | 6.         | Entrepreneur owns all or much of the business | Entrepreneur may have a equity in the company, or a very small percentage. |

**BENEFITS OF ENTREPRENEURSHIP**

**According to Scarborough (2014), the following are the benefits of entrepreneurship:**

- 20.**
1. Opportunity to create your Own Destiny
  2. Opportunity to Make a Difference
  3. Opportunity to Reach Your Full Potential
  4. Opportunity to Reap Impressive Profits
  5. Opportunity to Do What You Enjoy and Have Fun at It

**POTENTIAL DRAWBACKS OF ENTREPRENEURSHIP**

**Scarborough (2014) identified the following as the disadvantages of entrepreneurship:**

- 21.**
1. Uncertainty of Income
  2. Risk of Losing Your Entire Investment
  3. Long Hours and Hard Work
  4. High Levels of Stress

**ROLE OF ITC IN ENTREPRENEURSHIP**

22. a. ICT can bring about innovation and establishment of new businesses even in challenging environments in rural settings.  
b. ICT carries with it a great potential for transforming the lives of the citizens by connecting markets, improving access to government service, education and entertainment.

**CONCEPT OF ENTREPRENEURSHIP**

23. The *factors which lure a person* to become entrepreneur are called **PULL FACTORS** and the factors that *compel him* are called **PUSH FACTORS**.

**24. PULL FACTORS**

- a. **Perception of Advantages:** If a person feels that he can earn better or overall gains in terms of money, status, security, future, etc.  
b. **Spotting an Opportunity**  
c. **Government Policies:** e.g. tax concessions/holidays, cash subsidies cheap land, etc.  
d. **Motivation:** From biographies or success stories.  
e. **Influenced:** by culture, family background, teachers, peers, etc.

**25. PUSH FACTORS**

- a. Job Dissatisfaction  
b. Relocation  
c. Joblessness  
d. Lay Off  
e. Retirement

**CRITICAL SUCCESS FACTORS IN ENTREPRENEURSHIP**

26. 1. Existence of a Good Business Opportunity  
2. Technical Competence  
3. High Mental Ability  
4. Human Relation Skills

**CAUSES OF BUSINESS FAILURE**

27. 1. Unbalanced Experience in a Line of Business  
2. Poor Managerial Experience  
3. Lack of Information about the customer  
4. Lack of Product Development

**ENTREPRENEURIAL THEORIES**

28. *To be summarized later.....*

**DEVELOPMENT IDEAS AND BUSINESS OPPORTUNITIES**

29. **A Good Business Idea** is a concept that can be used to make money. Usually it centres on a product or service that be offered for money. An idea is the first milestone in the process of founding a business. Every successful business started as someone's idea.
30. A business idea has the potential to make money, it has no commercial value initially.
31. Most business ideas exist in **abstract form**; usually in the mind of its creator or investor and not all business ideas, not matter how brilliant they may seem, would end up being profitable.
32. A successful business idea must meet the following three conditions:
- It must offer benefit to the customer by solving a problem or fulfilling a need.
  - It must have a market that is willing to accept it.
  - It must have a mechanism for making revenue.

**BUSINESS OPPORTUNITY**

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| 33. | A business opportunity on the other hand is a proven concept that generates on-going income in other words, a business opportunity is a business idea that has been researched upon, refined and packaged into a promising venture that is ready to launch.  |
| 34. | <p>An opportunity is regarded as one after it has been found to meet the following criteria.</p> <ul style="list-style-type: none"> <li>• It must have high gross margins</li> <li>• It must have the potential to reach break, even cash flow within 12 months – 36 months.</li> <li>• The start-up capital investment must be realistic and within the range of what you can provide.</li> <li>• You must have a strength and ability needed to drive the business to success.</li> <li>• Your level of enthusiasm for the business must be very high.</li> <li>• It must have the potential for residual income</li> <li>• It must have the potential to keep on improving with time.</li> <li>• It must have a low level of liability risk.</li> </ul> |

### SOURCES OF BUSINESS IDEA

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| 35. | <p>A good business idea can be sourced through the following ways:</p> <ul style="list-style-type: none"> <li>• Develop ideas as extension of an existing product (i.e. adding camera and song features to a mobile phone).</li> <li>• Create an improved service (fast delivery services).</li> <li>• Market a product at a lower price (via e-commerce e.g. amazon.com)</li> <li>• Add value to an existing product or service (i.e. reputable brand name or delivery service)</li> <li>• Altering their quality or quantity.</li> <li>• Introducing automation, simplification, convenience (i.e. smart product)</li> <li>• Personal interests or hobbies, many people find ways to turn their hobbies into successful businesses.</li> <li>• Work experiences, skills, abilities, a business, related to the work you do.</li> <li>• A familiar or unfamiliar product or service.</li> <li>• Spot the latest trends.</li> <li>• Changing the delivery method, packaging, unit size or shape.</li> </ul> |
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### TECHNIQUE FOR BUSINESS IDEA GENERATION

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| 36. | <ol style="list-style-type: none"> <li>1. Brainstorming</li> <li>2. Focus Groups</li> <li>3. Observation</li> <li>4. Surveys</li> <li>5. Emerging Trends</li> <li>6. Research and Development</li> <li>7. Tradeshows and Association Meetings</li> <li>8. Other Technique</li> </ol> |
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### TASKS IN DEVELOPING BUSINESS IDEAS

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| 37. | <p>For a start, you could pursue the following tasks:</p> <ul style="list-style-type: none"> <li>• Identify the value proposition of your business idea</li> <li>• Discuss Products/Services with Prospective Customers</li> <li>• Assess the market using in-depth market research</li> <li>• Analyze your competitor</li> <li>• Consider possible start-up strategies</li> </ul> |
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### ENTREPRENEURIAL/BUSINESS ENVIRONMENT

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| 38. | <p>The success of every business depends on adapting itself to the environment within which it functions:</p> <ul style="list-style-type: none"> <li>• When there is a change in the government policies, the business, has to make the necessary changes to adapt it to the new policies.</li> <li>• A change in the technology may render the existing products obsolete</li> </ul> <p>All these aspects are external factors that are beyond the control of the business.</p> |
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**MEANING OF BUSINESS ENVIRONMENT**

39. **Business environment** may be defined as the total surroundings, which have a direct or indirect bearing on the functioning of business or as the set of external and internal factors which are dynamic in nature and affects the business decisions of a firm.
40. In modern circumstance, the business operates in a turbulent environment factors affect the business:  
**Internal factors** include the *vision* and *mission* as well as employees of the organization and other internal mechanism of the organization.  
**External Factors** are the ones which lie *beyond the control of business* and impact the organization immensely in operations. External environment relates with the outsiders such as suppliers, customers, creditors, government, etc. For a business organization to achieve success, it is important to go hand in hand, both with internal as well as external factors.

**FEATURES OF BUSINESS ENVIRONMENT**

41. Understanding environment within which the business is to operate is very important for successful business. Some of the features of business environment are as follows:
- **Specific** (such as investor, customers and suppliers) **and General Forces** (such as social, political, legal and technological conditions) have impact on all business enterprises and thus may affect an individual firm indirectly only.
  - **Dynamic Nature**
  - **Uncertainty**
  - **Relativity**
  - **Multifaceted**

**Importance of business environment to entrepreneur**

- 42.
- a. First Mover Advantage
  - b. Identification of Threats
  - c. Coping with Rapid Changes
  - d. Improving Performance
  - e. Giving Direction for Growth

**Types of business environment**

43. **The internal environment** has received considerable attention by firms. Internal environment contains the owner of the business, the shareholders, the managing director, the non-managers, employees, the customers, the infrastructure of the business organizations, and the culture of the organization. It includes **6 Ms** i.e.
- Man (Human resource)
  - Money (Financial factors)
  - Marketing resources
  - Machinery (Physical assets)
  - Management Structure and Nature
  - Miscellaneous Factors (Research and Development, Company Image and Brand Equity, Value System, Competitive Advantage).

**AGENCIES THAT SUPPORT BUSINESS IN NIGERIA**

44. **Manufacturer Association of Nigeria (MAN)** was established as a national industrial association in **1971** to encourage the patronage of Nigeria made products by Nigerians and foreigners; encourage high standard of quality for member's products through the collation and the provision of advice and; to provide avenue for manufacturers to formulate and influence general policy, in regard to industrial matters.
45. **National Association of Small and Medium Enterprises (NASME)** is a private sector organization with members drawn from small and medium scale enterprise. It is devoted to networking capacity building, policy advocacy and promotion of performance of its member's firms and Analysis and publication from NAMSE on business environment, competitive enlighten and policy making are useful to Nigeria entrepreneurs.

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| 46.                              | <b>Nigerian Association of Chambers of Commerce, Industry, Mines, and Agriculture (NACCIMA)</b> is a voluntary association of manufacturers, merchants, mines, farmers, industrialists, trade groups who network together for the principal objectives of promoting, protecting and improving business environment for micro and macro benefits.  |
| 47.                              | <b>Nigerian Export Promotion Council (NEPC)</b> was established in 1976 to minimize the bureaucratic bottlenecks and increase autonomy in dealing with members of the organized private sector. Its goal and mission are to make the non-oil export sector a significant contributor to Nigeria's GDP and to facilitate opportunities for exporters promote sustainable economic development.   |
| 48.                              | <b>Raw Materials Research and Development Council (RMRDC)</b> is vested with the mandate to promote the development and utilization of Nigeria's industrial raw materials. It is the nation's focal point for the development and utilization of the nation's vast industrial raw materials. The council is also meant to encourage industries to substitute local raw materials for imported ones.   |
| 49.                              | <b>National Poverty Eradication Programme (NAPEP)</b> was established in 2001 by the federal government aimed at ensuring poverty reduction in the country. It coordinates and oversees various other institutions, including ministries, and develops plans and guidelines for them to vocational trades, to support internship, micro-credit, and create employment in the automobile industry.   |
| 50.                              | <b>Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)</b> was established to promote the development of micro, small and medium Enterprises (MSMEs) in the country. Its mission is to facilitate the access of micro, small and medium entrepreneurs/investors to all resources required for their development. Its vision is to establish a structured and efficient micro, small and medium enterprises sector that will enhance sustainable development in Nigeria. Stimulating, Monitoring and Coordinating the development of the MSMEs sector; Initiating and articulating policy ideas for micro, small and medium enterprises growth and development; Promoting and facilitating development programmes, instruments and support services to accelerate the development and modernization of MSME operations; serving as vanguard for rural industrialization, poverty reduction and job creation. |
| 51.                              | <b>Micro Finance Institutions (MFIS)</b> - These Financial Institutions are set up to meet the credit needs of the rural and urban poor, artisans, farmers, petty traders, vulcanizes, etc. CBN gave a directive to all erstwhile community Banks to convert to MFIs by recapitalizing to meet the new guidelines for the setting up of MFIs. One of the challenges microfinance face in Nigeria is that they do not reach to great number of poor Nigerians. The effect of not appropriately addressing this situation would further accentuate poverty and slow down economic growth and development.   |
| 52.                              | <b>Small and Medium Industries Equity Investment Scheme (SMIEIS)</b><br>The scheme requires all banks in Nigeria to set aside ten (10) percent of their Profit After Tax (PAT) for equity investment and promotion of small and medium enterprises.<br>The 10% of the Profit After Tax (PAT) to be set aside annually shall be invested in small and medium enterprise as the banking industry's contribution to the Federal Governments' efforts towards stimulating economic growth, developing local technology and generating employment.<br>Activities covered by the scheme include all legal business activity with exception of trading/merchandising and financial services. Beneficiaries are expected to comply with guidelines of the scheme and ensure prudent utilization of fund. Like its other counterparts, its performance is still below expectation.   |
| <b>FORMS OF ENTREPRENEURSHIP</b> |   |
| 53.                              | <b>Sole Proprietor</b><br>Sole proprietor is a common type of business that is own control (manage) by single person.   |
| 54.                              | <b>Features of a Sole Trader Business</b> <ol style="list-style-type: none"> <li>1. Simple and easy to form</li> <li>2. Individual owner</li> <li>3. Manager and Controller</li> <li>4. Responsible for his own liabilities</li> </ol>  |



5. Less legal formalities
6. Decision-Making Power
7. Easy to Dissolve
8. Sources of Capital
9. Flexibility in Operations
10. Build relations with customers

### PARTNERSHIP

- 55.** A partnership is a legal form of business with **two or more owners** (max. 20)
- 56.** Partners legally share a business assets, liabilities, and profits according to the terms of a partnership agreement.
- 57.** The law does not require a written partnership agreement, also known as the articles of partnership, but it is wise to work with an attorney to develop an agreement that documents the status, rights and responsibilities of each partner. A partnership agreement can include any legal terms the partner's desire.
- 58.** The standard partnership agreement will likely include the following information:
- 1) Name of the partnership
  - 2) Purpose of the business
  - 3) Location of the business
  - 4) Duration of the partnership
  - 5) Names of the partners and their legal addresses
  - 6) Contributions of each partner to the business, at the creation of the partnership and later.
  - 7) Agreement on how the profits or losses will be distributed.
  - 8) Agreement on salaries or drawing rights against people for each partner.
  - 9) Procedure for expansion through the addition of new partners.
  - 10) Distribution of the partnership asset to the partners.
  - 11) Sale of the partnership interest
  - 12) Absence or disability of one of the partners
  - 13) Voting rights
  - 14) Decision making authority
  - 15) Financial authority
  - 16) Handling tax matters
  - 17) Alteration or modifications of the partnership agreement.
  - 18) Termination of partnership
  - 19) Distribution of assets upon dissolution of the partnership

**Types of Partnership:** There are four types of partnership, on the basis of liability of partners

- 59.** **(1) General partnership:** This is a partnership in which all owners share in operating the business and in assuming liability for the business' debts.
- 60.** **(2) Limited partnership:** This is a partnership with one or more general partners and one or more limited partners. The purpose of a limited partnership is to allow one or more individuals to provide capital on which a return is expected. In case of liquidation, the limited partners only lose the capital.
- 61.** **(3) Master Limited Partnership (MLP):** This is a newer form of partnership which looks much like a corporation in that it acts like a corporation and is traded on the stock exchanges like a corporation but it is taxed like a partnership and thus avoids the corporate income tax.
- 62.** **(4) Limited Liability Partnership (LLP):** LLP limited partners risk losing their personal assets to only their own acts and omissions of people under their supervision. This newer type of partnership was created to limit the disadvantage of unlimited liability.

**Types of partners on the basis of the involvement in partnership:**

- 63.** Partners may be classified on the basis of liability, degree of management participation in management share in the profit and so on. The following types of partners are organized

|   |  |
|---|--|
| 64.   | <b>1) General partner:</b> A general partner is an owner (partner) who has unlimited liability and is active in managing the firm.   |
| 65.   | <b>2) Limited partner:</b> A limited partner is an owner who invests money in the business but does not have any management responsibility or liability for losses beyond the investment.  |
| 66.   | <b>3) Silent partners:</b> These are partners who are known by the public as owners of the business, but they may take no active role in marketing the business.   |
| 67.   | <b>4) Secret partners:</b> These are partners who take active role in the management of the company but they are unknown to the outsiders as partners.   |
| 68.   | <b>5) Sleeping partners:</b> These are also known as dormant partners, they are neither known as partners by the public nor do they participate in managing the company. They only share from the profit /loss of the business to the tune of capital contributed.   |
| 69.   | <b>6) Nominal partners:</b> These kinds of partners are publicly known that they are partners although they have no investment in the business and therefore have no rights of management. They merely lend their names to the enterprise and may be liable for certain debt of the partnership.   |
| <b>Advantages of Partnership:</b>                   |  |
| 70.   | <p>The following are the advantages of Partnership:</p> <ul style="list-style-type: none"> <li>• Easy to establish</li> <li>• More financial resources</li> <li>• Shared management and pooled /complementary skills and knowledge</li> <li>• Division of profits</li> <li>• Minimum governmental regulation/limited legal restrictions</li> <li>• Flexibility</li> <li>• Freedom from double taxation</li> <li>• Secrecy</li> <li>• Longer survival</li> </ul>  |
| <b>Disadvantages of Partnership:</b>                |  |
| 71.   | <p>The following are the disadvantages of Partnership</p> <ul style="list-style-type: none"> <li>• Unlimited liability</li> <li>• Division of profits</li> <li>• Disagreement among partners especially with regard to authority and control</li> <li>• Difficult to terminate because partners are bound by the law of agency</li> <li>• Restrictions on transfer of ownership</li> <li>• Lack of continuity</li> </ul>   |
| <b>Dissolution and Termination of a Partnership</b> |  |
| 72.   | <p>Partners may dissolve or terminate the partnership. Thus dissolution occurs when a general partner ceases to be associated with the business. This may be as a result of:</p> <ul style="list-style-type: none"> <li>• Expiration of a time period or completion of the project undertaken as delineated in the partnership agreement.</li> <li>• Expressed wish of any general partner to cease operation.</li> <li>• Expulsion of a partner under the provisions of the agreement.</li> <li>• Withdrawal, retirement, insanity, or death of a general partner (except when the partnership agreement provides a method of continuation).</li> <li>• Bankruptcy of the partnership or of any general partner.</li> <li>• Admission of a new partner resulting in the dissolution of the old partnership and establishment of a new partnership.</li> <li>• A judicial decree that a general partner is insane or permanently incapacitated, making performance or</li> </ul> |

|                                    |  |
|------------------------------------|--|
|                                    | <p>responsibility under the partnership agreement impossible.</p> <ul style="list-style-type: none"> <li>• Mounting losses that make it unpractical for the business to continue.</li> <li>• Impropriety or improper behaviour of any general partner that reflects negatively on the business. (Adapted from Scarborough et al 2009 pg 87). Termination on the other hand is the final act of intentionally closing the partnership as a business. This can occur after the partners have agreed to cease operations and all affairs of the partnership have been concluded.</li> <li>• How is Sole Proprietorship different from partnership?</li> <li>• Sole proprietorship is a business established and run by the owner for purpose of meeting needs and making profit, while partnership is a business run by between 2 and 20 partners for purpose of meeting needs and making profit</li> </ul> |
| <b>LIMITED LIABILITY COMPANIES</b> |  |
| 73.                                | In Nigeria, the Companies and Allied Matter Act (CAMA) of 1990 is the major law that guides formation and registration of companies in Nigeria.  |
| 74.                                | <p><b>Formation of Company and Capacity of Individual</b></p> <p>According to Section 18 of CAMA 1990, two or more persons may form and incorporate a company by complying within requirements of the act. It also specifies the category of people that can come together to form a company. Section 20 states that anyone in these categories is not qualified:</p> <ul style="list-style-type: none"> <li>• he is less than eighteen years of age;</li> <li>• he is of unsound mind and has been so found by a court in Nigeria or elsewhere;</li> <li>• he is an un-discharged bankrupt;</li> <li>• he is disqualified under Section 254 – which says a person is convicted by a High Court of any offence in connection with the promotion formation or management of a company, etc.</li> </ul>  |
| 75.                                | <p><b>Three types of companies can be identified</b></p> <ul style="list-style-type: none"> <li>• Limited by shares</li> <li>• Limited by guarantee</li> <li>• An unlimited company</li> </ul>   |
| 76.                                | A company is said to be <b>limited by shares</b> , if the liability of its members limited by the memorandum to the amount, if any unpaid on the shares respectively held by them.   |
| 77.                                | A company is said to be <b>limited by guarantee</b> if the memorandum to such amount as the members may respectively thereby undertake to contribute to the assets of the company in the event of its being wound up.  |
| 78.                                | A company is said to be <b>unlimited</b> when the members do not have any limit on the liability of its members.   |
| <b>Private liability Companies</b> |  |
| 79.                                | The <i>private liability company</i> can be formed by minimum of two persons and maximum of <b>fifty persons</b> excluding employees of the company both past and present (according to Section 22 Subsection 3).  |
| 80.                                | The articles of the <i>private company</i> must restrict the transfer of its shares, i.e. the share of the company is not transferable through public offer for subscription. The law also requires the name of private company to end with the word “ <i>limited</i> ”.   |
| 81.                                | <b>The public liability company</b> is a company where the shareholders are members of the public. The shares are generally freely transferable. Public companies are large trading concerns with <b>minimum membership of two but no maximum</b> . The name of a public company is expected to end with Public Limited Company (PLC).   |
| 82.                                | <p><b>Legal Requirement for Registration of Companies</b></p> <p>The Companies and Allied Matter Acts specified the documents of incorporation, in section 35 of the acts to include:</p> <ul style="list-style-type: none"> <li>• Memorandum of Association;</li> <li>• Articles of Association;</li> <li>• Notice of the address of the registered office and head office;</li> <li>• Statement of the lists and particulars of the first directors of the company;</li> <li>• Statutory declaration of compliance with the provisions of the acts</li> </ul>  |

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|   | <ul style="list-style-type: none"> <li>Any other document that may be required by the Corporate Affairs Commission (CAC), e.g. tax certificate of the directors, etc.</li> </ul>  |
| 83.   | <p><b>The content of Memorandum of Association include among others:</b></p> <ul style="list-style-type: none"> <li><b>Name of the company:</b> For a <i>private company</i> to end with (<b>Ltd</b>); <i>public company</i> to end with (<b>PLC</b>), i.e. both are limited by shares. If limited by guarantee to end with limited by <i>guarantee</i> or (<b>Ltd/GTE</b>). <b>No two different companies must have an identical name;</b></li> <li><b>The address</b> of the registered office of the company must be located in Nigeria;</li> <li><b>The object of the company</b> – the type of business and contract the company can lawfully enter into;</li> <li><b>The restriction</b>, if any, on the powers of the company;</li> <li><b>Share capital clause</b> – minimum share capital required for private company is <b>N10,000</b>, while that of public company is <b>N500,000</b>;</li> <li><b>Liability clause</b> – the statement whether the liability of its members are limited or unlimited or limited by share or guarantee;</li> <li><b>Subscription clause</b> – the subscribers of the memorandum are required to subscribe nothing less than 25% of the company's share capital. Each subscriber must write his full names, signature, profession or status as well as address on the column provided.</li> </ul> |
| 84.   | <p><b>Content of the Articles of Association:</b> The Articles of Association prescribe the rules and regulations for the internal management of the affairs of the company. The Articles of Association regulates the rights, duties, and obligations of the members among themselves and also the rights, duties and obligations of the members to the company and vice-versa. Other items contained in the document include:</p> <ul style="list-style-type: none"> <li>Membership;</li> <li>Meetings, notices of meetings, conduct of meeting;</li> <li>Directors, their qualifications, disqualification powers, duties, etc;</li> <li>The company borrowing powers;</li> <li>Company Secretary;</li> <li>Custody of the company's common seal.</li> </ul>   |
| <b>Advantages of Limited Liability Companies</b>    |   |
| 85.   | <ol style="list-style-type: none"> <li>It has a legal entity;</li> <li>Limited liability of shareholders</li> <li>Ability to attract capital</li> <li>Ability to continue indefinitely</li> <li>Transferable ownership</li> <li>Separation of ownership from management</li> <li>The death of a shareholder does not mean the end of the company;</li> <li>Accessibility to large capital which enhance growth.</li> </ol>  |
| <b>Disadvantages of limited liability companies</b> |   |
| 86.   | <ol style="list-style-type: none"> <li>When company becomes very large, there is no personal relationship between the customers and the owners;</li> <li>Official red tapism may delay decision making;</li> <li>Chain of command becomes long which lead to communication breakdown.</li> <li>Cost and time involved in the incorporation process</li> <li>Double taxation</li> <li>Charter restrictions</li> <li>Extensive legal requirement and restrictions</li> <li>Potential for diminished management incentives</li> <li>Potential loss of control by the owners</li> <li>Difficulty of termination</li> <li>Possible conflict with share stockholders and board of directors</li> </ol>  |
| 87.   | <p><i>Private company</i> has a maximum number of <b>50 persons</b>, shares are not subscribed to or transferable by the public and the name must end with "<i>limited</i>" while <i>public company</i> do not have any <b>maximum number of</b></p>  |

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|            | <b>subscribers</b> , shares are publicly subscribed to and transferable through the stock exchange market.  |
|            | <b>CO-OPERATIVE</b>   |
| <b>88.</b> | This is a system of economic action and business enterprise, characterized by the absence of the profit motive and involving, as its primary function, the distribution of goods and services.  |
| <b>89.</b> | This form of business ownership which involves a collective ownership of a production, storage, transportation or marketing organisation is what is referred to as a co-operative.  |
| <b>90.</b> | Some individuals dislike the notions of having owners, managers, workers and buyers as separate parties with separate goals for business organisation. They envision a situation whereby people will co-operate with one another as an association and share the wealth more evenly. This is what necessitates the form of business ownership referred to as cooperatives |
|            | <b>Types of Co-operative</b>  |
| <b>91.</b> | Consumer/producer co-operative Workers co-operative Finance co-operatives Co-operatives allow small businesses to obtain quantity discounts on purchases, reducing costs and enabling the co-operative to pass on the savings to its members.   |

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